



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

For Immediate Release
July 15, 2003

FED FLEXIBILITY ON MONETARY POLICY IS NEEDED

Press Release #108-50
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WASHINGTON, D.C. – The flexibility in Federal Reserve monetary policy signaled by Chairman Greenspan today is welcome given current economic conditions, Vice Chairman Jim Saxton said. In Congressional testimony Greenspan made clear that the Fed is ready to ease monetary policy again if necessary to preempt potentially deflationary pressures.

“We all hope that a strong acceleration of economic growth will soon begin and eliminate any reasonable concern about potential deflation,” Saxton said. “However, one key ingredient of much faster economic growth is a recovery of business investment. Although often predicted in recent years, this investment rebound and related pick-up in economic growth has not yet occurred.

“If the economy does not perform as expected, it is reassuring to know that the Fed will be ready to act if necessary. Chairman Greenspan has noted on several occasions that the Fed has the tools it needs to ward off potential deflation and preserve price stability,” Saxton concluded.

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